

**DEPARTMENT OF STATE REVENUE
LETTER OF FINDINGS NUMBER: 98-0516
Individual Income Tax
Calendar Years 1991-1996**

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ISSUE(S)

1. **Adjusted Gross Income** – Unreported Income

Authority: IC 6-3-2-9; IC 6-3-2-1; IC 6-3-1-3.5; 45 IAC 3.1-1-2; 45 IAC 3.1-1-19

Taxpayer protests the assessment.

STATEMENT OF FACTS

Taxpayer was audited for individual income tax, a majority of the adjusted gross income being derived from the one hundred percent ownership and operation of a Sub Chapter S Corporation. Taxpayer is an Indiana resident subject to tax on its adjusted gross income. The starting point for computing Indiana adjusted gross income is federal adjusted gross income as defined with modifications. From 1991 through 1996, the taxpayer received rental payments from real estate owned personally by it and used by the taxpayer's S-corporation. Rental income received from the S-corporation is includable in federal adjusted gross income. Adjustments were made to subject these receipts to tax. For the period 1992 through 1996, the taxpayer received no wages from its business and failed to provide documentation on how personal living expenses were paid. The majority of the taxpayer's personal assets were sold to satisfy business debts, which filed for bankruptcy during 1993. No documentation was provided at audit or at hearing that other sources of funds were available to pay personal expenses. Adjustments were made to increase taxable income to average amounts in the county in which taxpayers lived. Personal living expense figures were obtained from the Bureau of Labor statistics, census data and Chamber of Commerce surveys.

At audit it was determined that the taxpayer failed to file returns and the auditor utilized the federal adjusted gross income with modifications and rental payments received from real estate owned personally by them and used by taxpayer's business. The auditor utilized 1993 through 1996 averages for county "A" for wages and the personal living expense figures were obtained from the Bureau of Labor Statistics, Census Data, and the Chamber of Commerce because no audit trail was available.

I. Adjusted Gross Income – Unreported Income

DISCUSSION

Taxpayer merely states she does not owe the money. Taxpayer failed to provide information to allow the department to make adjustments to its individual income tax returns that were based upon best information available.

FINDING

Taxpayer's protest is denied.

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